

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 DODE-00 PA-01 PRS-01 AGR-05 /086 W

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R 251451Z JUN 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 595

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMCONGEN GUAYAQUIL

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 2601

E.O. 11652: N/A - TAGS: ETRD,CS

SUBJECT: UNUSED BANANA LANDS

SUMMARY. UNITED BRANDS, WHICH HAS BEEN IN THE PROCESS OF DEVELOPING A PROGRAM, ON A JOINT-VENTURE BASIS WITH PRIVATE COSTA RICAN INVESTORS TO PRODUCE OIL PALMS, GRAIN AND CATTLE ON UNUSED BANANA LAND, NOW FEARS THAT THE PROJECT WILL NOT PROSPER. AS PREVIOUSLY REPORTED, A BILL PENDING IN THE CONGRESS WOULD EXPROPRIATE ALL UNUSED BANANA LAND BELONGING TO UNITED BRANDS. THE COMPANY HAD PREVIOUSLY BEEN TOLD BY PRESIDENT ODUBER THAT THE BILL WOULD NOT PASS. WITHIN THE LAST FEW DAYS, HOWEVER, THE COMPANY HAS HEARD THAT ODUBER NOW BELIEVES THAT THERE IS TOO MUCH PRESSURE BEHIND THE BILL IN CONGRESS AND THAT IT WILL BE ENACTED.

END SUMMARY.

1. RICHARD JOHNSON, CHAIRMAN OF THE BOARD OF UNITED BRANDS EDIBLE OILS AND MARGARINE SUBSIDIARY (NUMAR), CALLED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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ON THE AMBASSADOR JUNE 24 HE DESCRIBE THE COMPANY'S PLANS FOR UTILIZATION OF UNUSED BANANA LANDS. THE PLANS RELATE TO 18,000 HECTARES JOINING THE PANAMANIAN BORDER BELOW GOLFITO AND 10,000 HECTARES ALONG THE SIXAOLA RIVER

IN THE CARIBBEAN AREA SOTHEAST OF LIMON AND CAHUITA. ACCORDING TO JOHNSON, THIS IS THE ONLY GOOD UNUSED LAND STILL HELD BY UNITED BRANDS. THE COMPANY WOULD HOPE TO DEVELOP PRODUCTION OF AFRICAN OIL PALMS, GRAIN, AND CATTLE ON A JOINT VENTURE BASIS WITH THE COSTA RICAN GOVERNMENT AND A GROUP OF COSTA RICAN INVESTORS LED BY COSTA RICAN POLITICIAN, JORGE GONZALES MARTEN. LAND WOULD ALSO BE MADE AVAILABLE TO THE COSTA RICAN LAND DEVELOPMENT INSTITUTE (ITCO) FOR THE SETTLEMENT OF SOME FARMERS.

2. JOHNSON SAID THAT THE COMPANY LAND IN THE GOLFITO AREA IS NOW OVER-RUN WITH SQUATTERS. A GROUP OF PRIVATE COSTA RICAN LANDOWNERS IN THE SAME AREA, WHO ARE ALSO EXPERIENCING VERY SERIOUS SQUATTER PROBLEMS, CALLED ON THE PRESIDENT RECENTLY TO PROTEST. IN THE COURSE OF THEIR VISIT, PRESIDENT ODUBER REPORTEDLY TOLD THEM THAT HE NOW BELIEVES THAT THERE IS SO MUCH PRESSURE BEHIND THE BILL PENDING IN THE CONGRESS THAT WOULD NATIONALIZE THE UNUSED LAND BELONGING TO UNITED BRANDS THAT THE BILL CANNOT NOW BE STOPPED. THE DEPUTIES SENSE THAT THE HONDURAN BANANA SCANDAL HAS PLACED THE COMPANY IN A VERY WEAK POSITION. THE BILL PENDING IN CONGRESS WOULD PAY COMPENSATION BUT ONLY AT A VERY LOW LEVEL BASED ON DECLARED TAX VALUE.

3. THE COMPANY IS NOW DEBATING WHETHER IT SHOULD EMBARK ON ANY KIND OF PUBLICITY CAMPAIGN RELATING TO THE PROBLEM OF THE UNUSED LANDS. THE AMBASSADOR ADVISED MR. JOHNSON THAT IT APPEARED THE COMPANY WOULD HAVE NOTHING TO LOSE AND PERHAPS SOMETHING TO GAIN IF IT CALLED A PRESS CONFERENCE TO ANNOUNCE ITS PROPOSAL FOR USE OF THE UNUSED BANANA LANDS AND TO EMPHASIZE ALL OF THE ADVANTAGES THAT THIS PROPOSAL WOULD HAVE FOR COSTA RICA IN THE WAY OF COORDINATED AND WELL-MANAGED AGRICULTURAL DEVELOPMENT, PROVISION OF JOBS, COOPERATION WITH ITCO AND RESETTLEMENT OF SOME FARMERS WHO ARE LIVING AT THE MARGIN OF EXISTENCE. LIMITED OFFICIAL USE  
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JOHNSON THOUGHT THAT THIS WOULD BE A VERY GOOD IDEA, BUT HE SAID THERE IS STILL AN ARGUMENT WITHIN THE COMPANY AS TO WHETHER OR NOT TO EMBARK ON SUCH A COURSE. SOME OFFICERS ARE GUN SHY, FOLLOWING THE HONDURAN AFFAIR, AND PREFER TO KEEP A LOW PROFILE. JOHNSON EMPHASIZED THAT THE COMPANY HAS FULL RIGHTS TO THE UNUSED LAND UNDER CONTRACTS WITH THE GOVERNMENT. IF THE GOVERNMENT MOVES TO EXPROPRIATE THE LAND, UNITED WILL HAVE NO CHOICE BUT TO CONTEST THE LEGALITY OF THE GOVERNMENT'S ACTION IN THE COSTA RICAN COURTS.

4. COMMENTS: CLEARLY THE HONDURAN BANANA SCANDAL IS

PARTLY RESPONSIBLE FOR THE INCREASINGLY STRONG MOVEMENT  
IN CONGRESS TO EXPROPRIATE THE UNUSED BANANA LAND  
BELONGING TO UNITED. ANOTHER FACTOR MAY BE THE  
GROWING LAND REFORM MOVEMENT. PRIVATE LANDOWNERS IN  
COSTA

5. WHICH WOULD INCLUDE MOST DEPUTIES, MAY WELL  
HAVE DECIDED THAT THE BEST WAY TO REDUCE PRESSURE FOR A  
GENERAL LAND REFORM BILL WOULD BE TO SEIZE UNUSED LAND  
FROM UNITED BRANDS ALTHOUGH THIS COULD BE A VERY  
DANGEROUS PRECEDENT. CLEARLY THE GOVERNMENT IS VERY  
CONCERNED ABOUT THE SQUATTER MOVEMENT AND PLN DEPUTIES  
BELIEVE THAT THERE ARE REALLY ONLY SOME 3,000 LANDLESS  
FAMILIES IN COSTA RICA WHO WOULD BE CAPABLE OF DEVELOPING  
LAND THAT MIGHT BE DISTRIBUTED TO THEM. THE PROBLEM OF  
LANDLESSNESS IN COSTA RICA IS UNDOUBTEDLY MUCH LARGER THAN  
THIS, BUT THE 3,000 FAMILIES THAT THE PLN IS WORRIED  
ABOUT COULD CLEARLY BE ACCOMMODATED ON THE LAND THAT  
MIGHT BE SEIZED FROM UNITED.  
TODMAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LAW, JOINT VENTURES, AGRICULTURAL LAND, LAND NATIONALIZATION, DEVELOPMENT PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975SANJO02601  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750221-0515  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1975/newtext/t19750617/aaaaapdq.tel  
**Line Count:** 134  
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**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UNUSED BANANA LANDS SUMMARY. UNITED BRANDS, WHICH HAS BEEN IN THE PROCESS  
**TAGS:** ETRD, CS, US, UNITED BRANDS, (JOHNSON, RICHARD)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006